



METROPOLITAN  
TRANSPORTATION  
COMMISSION

Joseph P. Bort MetroCenter  
101 Eighth Street  
Oakland, CA 94607-4700  
TEL 510.817.5700  
TDD/TTY 510.817.5769  
FAX 510.817.5848  
E-MAIL [info@mtc.ca.gov](mailto:info@mtc.ca.gov)  
WEB [www.mtc.ca.gov](http://www.mtc.ca.gov)

## *Memorandum*

TO: Joint Policy Committee

DATE: January 13, 2006

FR: Therese McMillan- Deputy Executive Director, Policy

RE: State Infrastructure Bond Proposals

### **Overview**

Two large infrastructure bond proposals are now under consideration in Sacramento. The first of these efforts, developed last year, is Senate Bill 1024. This measure represents a first step by Senator Perata and Senator Torlakson in their effort to renew California's commitment to infrastructure investment. Governor Schwarzenegger recently joined the senators' efforts with his own infrastructure proposal, announced in his State of the State Address on January 5<sup>th</sup>.

All indications are that a significant infrastructure improvement program will be the subject of a Conference Committee to be held by leaders from the Senate, the Assembly and the Administration in the upcoming months.

At this time, SB 1024 is a \$10.3 billion General Obligation bond measure funding various infrastructure improvements to be placed before the voters at the November 2006 election. Approximately \$8 billion would be available for transportation improvements, including \$2.5 billion for goods movement projects and related mitigation and security. Over \$1.5 billion of the funds (including some of the transportation funds) are directed to housing-related initiatives, such as a specific transit oriented development initiative and an affordable housing incentive program. The remaining \$2.0 billion would be spent primarily on flood control, air quality and resource conservation projects.

The Governor's proposal—coined the “Strategic Growth Plan (SGP)”-- is a larger effort that includes Transportation and Air Quality, Education, Water and Flood Control, Public Safety and Courts and Other Public Services totaling \$68 billion of new state bonds between 2006 and 2014. The transportation element includes \$12 billion in new bond funds in two \$6 billion increments starting with the 2006. The second \$6 billion bond measure is proposed for 2008.

A general comparison of the transportation and land use elements included in SB 1024 and the Governor's proposal are as follows.

<b>Transportation Funding Categories (\$ in millions)</b>	<b>SB 1024</b>	<b>Governor's Proposal</b>
Repayment of Proposition 42 Loans to General Fund	2,300	N/A
State Transportation Improvement Program (STIP)	1,500	1,500*
High Speed Rail	1,000	N/A
Highways Corridor Mobility Projects Performance Projects (state interregional focus routes and regional priorities)	N/A	5,600
Transit/Rail Intercity passenger rail Pedestrian/bike paths and park and ride facilities	N/A	700
Technology/Intelligent Transportation Systems	N/A	200
Regional Housing and Community Growth	975	N/A
Affordable Housing Incentive Program ( <i>For local street and road repairs</i> )	425	N/A
Transit Oriented Development Implementation	275	N/A
Port Infrastructure/Trade Infrastructure	2,000	3,000
Port Emission Reduction Efforts (Carl Moyer Program)	400	1,000
Port, Harbor and Ferry Terminal Security	100	N/A
Environmental Enhancement and Mitigation	100	N/A
<b>TOTAL</b>	<b>\$9,075</b>	<b>\$12,000</b>

\* SHOPP (State Highway Operations and Protection Program)

### **Key JPC Areas of Interest**

Reflecting the JPC's work program and recent topics brought before it, staff believes there are two key subject areas embraced by these state infrastructure initiatives that warrant the Committee's focused attention—Housing and Transportation/Land Use Coordination, and Goods Movement.

### **Housing and Transportation/Land Use Coordination**

The Perata/Torlakson legislation includes funding for regional, general and specific planning. Regional agencies would administer a loan pool which would assist local governments in bringing their plans into conformance with regional transportation and land-use strategies (dubbed Regional Growth Plans in the bill). The regional plans would be prepared with State funding.

As local governments bring their plans into conformance with the Regional Growth Plans, they will become eligible for state incentive funding: for transportation, parks and

other urban infrastructure, for open-space conservation, for brownfield remediation, and for in-fill and affordable housing.

Special funding is also proposed to assist Transit Oriented Development (TOD) projects, as well as affordable housing incentives. Attachment A provides a more detailed outline of SB 1024's provisions in these areas.

Of note, the Governor's proposal includes no support for planning and no contingent funding for local governments. There are no infrastructure incentives for regionally appropriate development. We would recommend that the JPC advocate for retain the housing/land use coordination elements included in SB 1024, or similar provisions, as part of a final negotiated infrastructure bond package.

### **Goods Movement**

Over the last year and a half, goods movement has definitely shone brighter on the state transportation radar screen. The Governor's inclusion of freight related infrastructure and mitigation proposals is a direct outgrowth of the Administration's Goods Movement Action Plan (GMAP), an effort spearheaded by a State cabinet-level Goods Movement Working Group, co-chaired by Secretary Sunne McPeak of the Business, Transportation and Housing Agency (BTH) and Secretary Alan Lloyd of the California Environmental Protection Agency (CalEPA).

The Goods Movement Action Plan (GMAP) is being developed in two phases. The first phase was completed with the release of the *Goods Movement Action Plan Phase 1: Foundations* report in September 2005, and included an assessment of goods movement environmental and community impacts and possible mitigation strategies; key aspects of public safety and homeland security issues; and a statewide inventory of existing and proposed goods movement projects drawn from regional transportation plans.

The Phase 2 effort is currently underway, and is intended to develop a goods movement "action plan" for capacity expansion, operational improvements, environmental mitigation strategies, innovative finance and funding, homeland security and public safety. Representatives from MTC, BAAQMD, the Port of Oakland, the Economic Development Alliance for Business and the Bay Area Council have actively participated in various working groups organized to guide this effort. The most recent GMAP recommendations, outlined in a Phase 2 "Action Plan- Progress Report" focuses on the concurrent implementation of operational and capacity increasing goods movement projects, and mitigation strategies, particularly those related adverse air emissions that have or may in the future result from increased freight activity. The most recent schedule calls for continued task force work in the first part of 2006, leading to final recommendations thereafter.

The study also includes a preliminary "short list" of improvement projects derived from the Phase 1 project inventory list. While this short list is not the only product emerging from the work group discussions, it appears to be a centerpiece of the Administration's effort and consequently a focal point of discussion and debate related to the infrastructure bond. MTC has submitted comments and recommendations reflecting joint interests of

Bay Area participants in this GMAP effort, summarized in Attachment B. We would also note that of the \$4 billion in bond proceeds recommended for freight in the Governor's proposal, \$1 billion is specifically targeted to air quality mitigation efforts. This reflects the deep-seated concerns of environmental agency and community interests expressed during GMAP working group deliberations. The Bay Area should take special heed of this provision, in order to ensure that our region is a recipient of these dollars to invest in mitigation efforts in this region.

As this effort makes its way through its concluding steps, we would recommend that the Joint Policy Committee consider a coordinated agency response to the Administration, supporting these concepts that we believe strengthen the region's position in this statewide study and eventual statewide funding plans.

## **ATTACHMENT A**

### **Key SB 1024 Provisions for Housing and Transportation/Land Use Coordination**

#### **A. Transit Oriented Development Implementation Program**

The \$275 million TOD Implementation Program gives the HCD Department authority to make grants to cities, counties and transit agencies for:

- 1) "Infrastructure necessary for development of higher density uses within close proximity of a transit station or facilitate connections between that development and the station.
- 2) To the extent that funds are available, loans to support housing developments and mixed-use developments within 1/4 mile of transit station in which at least 15% of units are made available for rent or purchase to persons of very low or low income for at least 55 years.

The bill does not specify how much of the \$275 million is available for each of these categories. It requires that HCD consider the impact of projects on increasing transit ridership and reducing auto trips, when awarding the grants for the above projects or developments. Bonus points are also required for projects that are within the boundaries of a transit village development plan or in an area designated for infill as part of a regional plan.

#### **B. Affordable Housing Incentive Program**

The \$425 million Affordable Housing Incentive Program provides transportation funding to cities and counties (for street and road repairs) that meet a significant portion of their overall and affordable housing needs. In order to be eligible for funding a city or county must:

- 1) have a housing element that HCD has determined to be in compliance or that they have self-certified as such.
- 2) have met 80% of its annualized housing need during the preceding year or 80% of its overall housing need the beginning of the planning period.
- 3) have met at least 30% of its annualized housing need for each of the very low, low-and moderate income categories during the preceding year or 30% of its overall housing need in these categories from the beginning of the planning period.

The bill requires that HCD report to the CTC annually on those cities that have met these requirements. CTC is tasked with awarding the funds over a 5-year period.

#### **C. Regional Housing and Community Growth Incentive Account**

This \$975 million program includes a number of different components and set asides.

- \$25 million for regional growth plans (controlled by the Resources Agency secretary)
  - \$15 million for regional agencies with a population greater than 1 million
  - \$10 million for those with a population less than 1 million

- \$75 million for a revolving loan/grant program controlled by the Resources Agency secretary to help local government with planning costs associated with infill development. The bill specifies the types of planning that is eligible, including general plan amendments, community or neighborhood plans, zoning revisions, as well as outreach to facilitate citizen involvement. Any fees recovered from project applicants that "benefit from the plans" shall be transferred either to the regional agency to further this type of work or returned to the state.
- \$200 million for a competitive grant program (controlled by the Resources Agency) based on "regional growth plans" based on whether the grant will promote wildlife conservation and/or prime agricultural land preservation or other infill development, consistent with provisions of SB 832 (should that become law).
- \$425 million for Competitive Infill Incentive Grants to local public agencies that:
  - 1) are included in a regional growth plan
  - 2) has conformed its local planning regulations to the regional growth plan
  - 3) the region meets requirements for local plan consistency

Eligible expenditures include "any capital outlay purpose" including, but not limited to urban parks, greening projects, water or sewer improvements, or any transportation improvements.

- \$200 million for the Housing Rehabilitation Loan Fund to be spent according to the Multifamily Housing Program for projects located in areas that are either 1) designated for infill by a regional growth plan or 2) qualify for a CEQA exemption.
- \$50 million for the Orphan Share Reimbursement Trust Fund to be used for cleaning up contaminated land (where the responsible party is insolvent) in areas designated for infill development by a regional growth plan.

**ATTACHMENT B**  
**Summary of Bay Area Comments and Recommendations**  
**To the State Goods Movement Action Plan**

1. **To the extent that a project specific “priority” list is a central outcome of this effort and centerpiece of recommendations going to the Governor in January 2006, such a list should be directly tied to delivering corridor or system-level improvements for moving freight and reducing public health impacts. In our region, such improvements should be concentrated on the Interstate 80/880/580, US 101 (Peninsula) and Southern Gateway corridors.**
  - There must be a demonstrable commitment in regional transportation plans for delivering those projects, including some realistic path for funding them.
  - The finance and infrastructure work groups should develop a joint recommendation for an iterative process that allows the “short list” of priority projects to be periodically re-evaluated, refined and revised as proposed financing strategies to deliver those projects are tested, and put into place.
  - MTC’s Regional Goods Movement Study includes a modified Bay Area short list of projects that reflects the above principles, is representative of freight related needs throughout the region, and should be considered for final inclusion.
2. **The GMAP must provide the capacity for balanced investment opportunities, both modally, and functionally.**
  - In the Bay Area, 80% of goods movement travel is by truck; similar shares are characteristic throughout the state. To date, discussion of options have been heavily biased to projects enhancing ship and rail movements. While off-loading some truck traffic onto rail is a desirable policy objective, the State’s plan must recognize that a significant share of goods continue to be moved by truck, and investments to make truck movement faster, cleaner and safer should have a prominent role.
  - A huge benefit can be realized by better utilizing our existing freight infrastructure. Investment in improving the operations and productivity of ship, rail, truck and the intermodal connections between them should be pursued as a first priority of the GMAP, including the aggressive pursuit and implementation of new technologies. This commitment must extend to the application of sufficient existing and new financial resources to operations.
  - Criteria for prioritizing the existing State Highway Operations and Protection Program (SHOPP) should be restructured to: a) put more emphasis on operating investments generally; and b) consider a specific investment share target for freight related projects. Likewise, the State Transportation Improvement Program (STIP) should incorporate a distinct funding target for freight out of the Interregional Transportation Improvement Program (ITIP) element. Lastly, the administration should support more program flexibility with Air District DMV surcharge and Carl Moyer Program funds to support cleaner engine technologies and operational improvements that reduce exposure to diesel particulate matter.

**3. The GMAP should acknowledge current, inadequate state funding, and commit to pursuing new revenues.**

- New revenues for funding may come from federal, state, local or private sources; however, the state should clearly contribute its share with concrete proposals for sources of new, predictable funding. Current infrastructure bond proposals by the Administration and the Legislature are potential vehicles to provide this funding in the form of general fund or revenue – backed debt financing.
- Private sector contributions will be vital, but must address the range of options that best match the investments pursued. The nexus concept of “Private fee for Private Benefit” is essential to successful user fee strategies, and would, among other things, determine that some types of user fees (e.g., the current legislative proposal for container fees) may be applicable to some freight and related public health investments, but not to others.
- Viable private sector funding proposals should be “matched” to types of projects generally, and to the “short list” specifically. Furthermore, the GMAP should espouse a “one size doesn’t fit all” approach and avoid recommendations that would levy a mandated fee statewide, but instead enable and facilitate private-public sector financial packages to be negotiated for individual projects or programs.

**4. Emphasize the importance of considering land-use decision on goods movement activities.**

- Discussion thus far has focused on regulatory measures to influence goods movement-supportive land use decisions. While we think some regulatory measures can be effective, there should be more of a focus to provide incentives for goods movement-supportive land use decisions. This incentives program should be tied into SB 1024 discussions and included in the final “short-list” of projects.